

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 8, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: AN ORDINANCE TO PROVIDE FOR AN ADVANCED DECAL
PROCESS FOR MOTOR VEHICLES IN THE CITY, AND TO
DISCONTINUE THE PRORATION OF VEHICLE DECAL FEES

ISSUE: Consideration of an ordinance authorizing the advance issuance of City decals to vehicle owners before payment of their current year personal property taxes, provided their prior year personal property taxes have been paid, and discontinuing the proration of vehicle decal fees.

RECOMMENDATION: That City Council pass on first reading and schedule for public hearing, second reading, and final passage on January 24, 2004, an ordinance (Attachment I) to:

- (1) Authorize the advance issuance of City decals to vehicle owners before payment of their current year personal property taxes, decal and zone parking permit fees provided their prior year personal property taxes have been paid; and
- (2) Discontinue the proration of vehicle decal fees.

DISCUSSION: In order to reduce expenses and to provide a more convenient system for City taxpayers, staff is recommending the establishment of a pilot program, starting in 2004, that provides for issuance of vehicle decals in advance of tax payment to vehicle owners who have paid all prior year personal property taxes. The following are the key reasons for this recommendation:

- The City currently does not issue a vehicle decal until all personal property taxes, both current and any delinquent, the \$25 decal fee and any zone parking permit fees have been paid.
- Personal property taxes on approximately 80%, or 80,000, of 100,000 tax accounts are consistently paid on time. The taxes for the remaining accounts either are not paid on time, or represent accounts of vehicle owners who have moved from the City and have not notified the City.

- Most vehicle owners now receive at least two mailings from the City. The first mailing in August, is just a bill for personal property taxes, the \$25 decal fee, and any applicable zone parking fees. After the bill is paid (payments are due October 5), staff manually mails the decal (and zone parking permits, if any). The cost of this second mailing and handling totals \$35,000 per year.
- Starting in 1998, Prince William County began issuing decals in advance of the payment of taxes and the decal fee. The County has not noticed any increase in non-payments or in the level of delinquent personal property taxes.
- Now that the State is covering 70% of most personal property tax bills, the incentive to not pay tax bills has been greatly reduced.
- Last year, Fairfax County began issuing decals in advance of payment and it has not noticed any increases in non-payments, or in the level of delinquent personal property taxes.
- Arlington County and Loudoun County staffs have stated that they will be requesting permission from their respective governing bodies to issue decals in advance of payment starting in calendar year 2004.
- Under the staff recommendation, City decals will be mailed to vehicle owners, in August, along with the bill for personal property taxes, the decal fee and any parking permit fees. As to owners who fail to pay the bill by October 5, the City will have a range of enforcement tools available to effect payment. We recommend that Alexandria issue decals in advance of payment starting in 2004.
- Because Alexandria has a much higher percentage of renters (who are more transient and tend to have higher tax delinquency rates than other taxpayers) than most other Northern Virginia jurisdictions, the advance decal program is proposed to be established as a one-year pilot program and would sunset in 2005 if the program results in high tax delinquencies.

The City spends considerable time and expense prorating the \$25 decal fee and issuing prorated refunds of the decal fee to taxpayers who trade-in or dispose of their vehicle before the decal expires. Also, the City currently prorates a vehicle decal fee if a City resident purchases a new car during the year. Neither Arlington, Loudoun, nor Fairfax County prorates the cost of the decal fee. We recommend that the City no longer prorate its decal fee. This will raise some \$125,000 per year, as well as result in administrative efficiencies. (It should be noted that the interjurisdictional reciprocity of charging \$5 for vehicles transferred into or out of certain Northern Virginia jurisdictions will be continued.)

For 2005 the Finance Department plans to purchase easier-to-remove decals. The difficulty of removing decals from windshields has been the subject of citizen complaints, and with decal thefts no longer a major issue, going to an easier-to-remove decal is planned. The \$8,000 higher cost of these decals will derive from cost savings of the advance decal program.

Also, planned for the first half of calendar 2004 will be the establishment of two new features on the City's web site. First, an e-check function will be added to the web site. This will enable a taxpayer to authorize the City to debit the taxpayer's checking account, rather than using high-fee credit cards to pay City taxes and fees. Second, the ability to register a vehicle for personal property tax reasons on-line will be created. This ability to register on-line will apply to existing residents who have purchased new cars, as well as to new residents who have just moved into the City. This will eliminate the requirement to make a trip to City Hall, and allow more taxpayers to be on-line and not in line.

FISCAL IMPACT: Implementing the advance vehicle decal process will result in savings of approximately \$35,000 per year. This will be somewhat offset by the \$8,000 spent for the easier-to-remove decals. In addition, based upon the number of decals issued, staff estimates that by discontinuing the proration of vehicle decal fees, the City could realize an annual increase in revenue of approximately \$125,000.

ATTACHMENT: Proposed Ordinance

STAFF:

Mark Jinks, Assistant City Manager for Fiscal and Financial Affairs
D. A. Neckel, Director of Finance
David Clark, Chief, Treasury Division